

Senate Engrossed

State of Arizona  
Senate  
Forty-seventh Legislature  
First Regular Session  
2005

CHAPTER 331

**SENATE BILL 1521**

AN ACT

AMENDING SECTIONS 28-6547 AND 35-113, ARIZONA REVISED STATUTES; AMENDING TITLE 35, CHAPTER 1, ARTICLE 2, ARIZONA REVISED STATUTES, BY ADDING SECTION 35-123; AMENDING SECTIONS 35-131, 38-737, 38-803, 38-848, 38-883, 41-723 AND 41-1292.03, ARIZONA REVISED STATUTES; AMENDING LAWS 2001, CHAPTER 236, SECTION 89, AS AMENDED BY LAWS 2002, CHAPTER 327, SECTION 103; AMENDING LAWS 2003, CHAPTER 262, SECTION 88; RELATING TO STATE BUDGET PROCEDURES.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:

2 Section 1. Section 28-6547, Arizona Revised Statutes, is amended to  
3 read:

4 28-6547. Safety enforcement and transportation infrastructure  
5 fund; exemption from lapsing

6 A. The safety enforcement and transportation infrastructure fund is  
7 established. The fund consists of monies deposited pursuant to sections  
8 28-2321, 28-2324, 28-2325, 28-5739, 28-5863 and 28-5864. The department  
9 shall administer the fund.

10 B. Subject to legislative appropriation, monies in the fund shall be  
11 spent on the following:

12 1. Enforcement of vehicle safety requirements by the department of  
13 public safety and the department of transportation within twenty-five miles  
14 of the border between Arizona and Mexico.

15 2. Construction and maintenance of transportation facilities and  
16 upgrades of transportation facilities, including roads, streets and highways,  
17 approved by the board within twenty-five miles of the border between Arizona  
18 and Mexico.

19 3. As approved by the board, maintenance and construction of  
20 transportation facilities in the CANAMEX high priority corridor as defined in  
21 section 332 of the national highway system designation act of 1995 (P.L.  
22 104-59; 109 Stat. 596-597).

23 4. ACTIVITIES OF THE DEPARTMENT THAT INCLUDE THE COLLECTION OF  
24 TRANSPORTATION AND TRADE DATA IN THE UNITED STATES AND MEXICO FOR THE  
25 PURPOSES OF CONSTRUCTING TRANSPORTATION FACILITIES, IMPROVING PUBLIC SAFETY,  
26 IMPROVING TRUCK PROCESSING TIME AND RELIEVING CONGESTION AT PORTS OF ENTRY ON  
27 THE BORDER BETWEEN ARIZONA AND MEXICO. THE DEPARTMENT MAY ENTER INTO AN  
28 AGREEMENT WITH THE ARIZONA-MEXICO COMMISSION AND PROVIDE FUNDING TO THE  
29 COMMISSION FOR THE PURPOSES CONTAINED IN THIS PARAGRAPH.

30 C. IF THE DEPARTMENT DETERMINES THAT ACTIVITIES PROPOSED BY THE  
31 ARIZONA OFFICE OF HOMELAND SECURITY MAY IMPROVE TRAFFIC SAFETY IN THIS STATE,  
32 THE DEPARTMENT MAY ENTER INTO AN AGREEMENT WITH, AND PROVIDE, SUBJECT TO  
33 LEGISLATIVE APPROPRIATION, FUND MONIES TO, THE ARIZONA OFFICE OF HOMELAND  
34 SECURITY FOR THE PURPOSES CONTAINED IN THIS SUBSECTION.

35 D. IF THE DEPARTMENT DETERMINES THAT ACTIVITIES PROPOSED BY THE  
36 ARIZONA INTERNATIONAL DEVELOPMENT AUTHORITY FOR PLANNING, DEVELOPMENT AND  
37 CONSTRUCTION OF TRANSPORTATION FACILITIES ON THE BORDER BETWEEN ARIZONA AND  
38 MEXICO MAY IMPROVE TRAFFIC SAFETY IN THIS STATE, THE DEPARTMENT MAY ENTER  
39 INTO AN AGREEMENT WITH, AND PROVIDE, SUBJECT TO LEGISLATIVE APPROPRIATION,  
40 FUND MONIES TO, THE ARIZONA INTERNATIONAL DEVELOPMENT AUTHORITY FOR THE  
41 PURPOSES CONTAINED IN THIS SUBSECTION.

42 E. On notice from the department, the state treasurer shall invest  
43 and divest monies in the fund as provided by section 35-313, and monies  
44 earned from investment shall be credited to the fund.

1        ~~Ø.~~ F. Monies in the fund are exempt from the provisions of section  
2 35-190 relating to lapsing of appropriations.

3        Sec. 2. Section 35-113, Arizona Revised Statutes, is amended to read:

4        35-113. Submission of budget estimates

5        Every year for annual budget units and biennially in even-numbered  
6 years for biennial budget units, the head of each budget unit, not later than  
7 September 1 or at a later date not to exceed thirty days after September 1 if  
8 approved by the director of the governor's office of strategic planning and  
9 budgeting, shall submit to the governor, with five copies, estimates of the  
10 financial requirements and of receipts, INCLUDING APPROPRIATED AND  
11 NONAPPROPRIATED MONIES IN NO LESS DETAIL THAN THE STATE GENERAL FUND, of the  
12 budget unit for the next two ensuing fiscal years for biennial budget units  
13 and for the next fiscal year for annual budget units. The estimates shall be  
14 on the forms and in the manner prescribed by the governor with explanatory  
15 data that may be required, together with additional information the head of  
16 the budget unit desires to submit. The governor may require biennial budget  
17 units to submit budget estimates more often than every two years. ~~By July 1,~~  
18 ~~1998, the staff of the joint legislative budget committee and the governor's~~  
19 ~~office of strategic planning and budgeting shall issue a schedule specifying~~  
20 ~~the year in which each budget unit shall begin submitting the financial~~  
21 ~~requirements for each program and subprogram for which the budget unit is~~  
22 ~~wholly or partially responsible as determined pursuant to section 35-122.~~  
23 ~~All budget units shall be converted by fiscal year 2006.~~ The estimate so  
24 submitted shall bear the approval of the administrative head of the budget  
25 unit.

26        Sec. 3. Title 35, chapter 1, article 2, Arizona Revised Statutes, is  
27 amended by adding section 35-123, to read:

28        35-123. Nonappropriated monies; report

29        THE GOVERNOR'S OFFICE OF STRATEGIC PLANNING AND BUDGETING SHALL PREPARE  
30 AND DISTRIBUTE A SEPARATE REPORT ON OR BEFORE FEBRUARY 1 OF EACH YEAR ON ALL  
31 NONAPPROPRIATED MONIES. THE REPORT SHALL INCLUDE ACTUAL RECEIPTS AND  
32 EXPENDITURES FOR THE PRIOR FISCAL YEAR AND ESTIMATES OF RECEIPTS AND  
33 EXPENDITURES FOR THE CURRENT FISCAL YEAR AND THE NEXT FISCAL YEAR.

34        Sec. 4. Section 35-131, Arizona Revised Statutes, is amended to read:

35        35-131. Accounting system; reports; notice of deficiency; forms

36        A. In accordance with generally accepted governmental accounting  
37 principles, the department of administration shall develop and prescribe for  
38 the use of all budget units a uniform accounting system so designed as to  
39 ensure compliance with all legal and constitutional requirements including  
40 those respecting the receipt and expenditure of and the accountability for  
41 public monies.

42        B. The department of administration shall maintain complete, accurate  
43 and current financial records relating to state monies and to other public  
44 monies in the state treasury available to, encumbered BY or expended by each

1 budget unit, including trust monies or other monies not subject to  
2 appropriation, setting out all revenues, charges against all funds, fund and  
3 appropriation balances, interfund transfers, outstanding warrants and  
4 encumbrances, in a manner consistent with the uniform state accounting  
5 system, for the preparation of statewide financial statements in accordance  
6 with generally accepted governmental accounting principles.

7 C. Each month the department of administration shall prepare and  
8 submit to the governor a report summarizing by budget unit and appropriation  
9 or other fund source the above information in such form as will most clearly  
10 and accurately set out the current fiscal condition of the state and shall  
11 furnish to each budget unit a report of its transactions by appropriation or  
12 other fund source in a form that will clearly and accurately show the fiscal  
13 activity and condition of such appropriation or fund source.

14 D. The responsible official for each budget unit shall monitor reports  
15 prepared pursuant to subsection C of this section to identify any projected  
16 total deficiency for the budget unit fiscal year. On a determination of a  
17 projected deficiency, the official shall take any action necessary to assure  
18 continuing compliance with section 1-254 by notifying the governor, the  
19 speaker of the house of representatives, the president of the senate and the  
20 chairman of the joint legislative budget committee of the deficiency and the  
21 reasons for the deficiency. The initial notification of the deficiency shall  
22 be followed within ten business days by a report from the responsible budget  
23 unit official that includes the following:

- 24 1. A complete explanation of the causes of the deficiency.
- 25 2. A plan that assures that the deficiency will be resolved within the  
26 fiscal year without supplemental appropriation and that includes the policy  
27 and programmatic implications of the deficiency and the plan.
- 28 3. A commitment to provide a progress report if the projected degree  
29 of deficiency changes substantially. The report shall include additional  
30 measures necessary to assure resolution of the deficiency within the fiscal  
31 year.

32 E. On or before December 1 of each year, the director of the  
33 department of administration shall submit to the governor a complete report  
34 of the financial transactions of the preceding fiscal year and of the  
35 financial condition of the state at the end of that year with such comments  
36 and supplementary data as the director of the department of administration  
37 deems necessary to make the report complete and readily understandable. THE  
38 REPORT SHALL INCLUDE ALL APPROPRIATED AND NONAPPROPRIATED MONIES IN NO LESS  
39 DETAIL THAN THE STATE GENERAL FUND.

40 F. The director of the department of administration shall prescribe  
41 uniform classifications for assets, liabilities, receipts and expenditures  
42 and forms for the periodic reporting of financial accounts, transactions and  
43 other matters by budget units compatible with the reports required of the  
44 director of the department of administration under this section. Such

1 records and accounts shall be maintained and reconciled by budget units. If  
 2 required for reporting, the department of administration may establish or  
 3 delete funds and budget units may maintain additional records for reporting  
 4 to the federal government or other funding source.

5 G. Each organization that is included in the state's reporting entity  
 6 as defined by generally accepted accounting principles shall submit all  
 7 necessary financial statements or information to the department of  
 8 administration on a basis of accounting that is consistent with generally  
 9 accepted accounting principles and that is in accordance with the policies  
 10 and procedures of the department of administration.

11 Sec. 5. Section 38-737, Arizona Revised Statutes, is amended to read:

12 38-737. Employer contributions

13 A. Employer contributions ~~for the biennial period~~ shall be a  
 14 percentage of compensation of all employees of the employers, excluding the  
 15 compensation of those employees who are members of the defined contribution  
 16 program administered by ASRS, as determined by the ASRS actuary pursuant to  
 17 this section for June 30 of the ~~even-numbered~~ FISCAL year immediately  
 18 preceding the ~~biennial period~~ PRECEDING FISCAL YEAR, except that beginning  
 19 with fiscal year 2001-2002 the contribution rate shall not be less than two  
 20 per cent of compensation of all employees of the employers. The total  
 21 employer contribution shall be determined on the projected unit credit  
 22 method. ~~Except as provided in subsection D of this section,~~ The total  
 23 employer contributions shall be equal to the employer normal cost plus the  
 24 amount required to amortize the past service funding requirement over a  
 25 rolling thirty-year period.

26 B. All contributions made by the employer and allocated to the fund  
 27 established by section 38-712 are irrevocable and shall be used as benefits  
 28 under this article or to pay expenses of ASRS.

29 C. The required employer contributions shall be determined ~~every other~~  
 30 year ON AN ANNUAL BASIS by an actuary who is selected by the board and who is  
 31 a fellow of the society of actuaries. ASRS shall provide a preliminary  
 32 report by November 1 and a final report by December 15 of each ~~even-numbered~~  
 33 FISCAL year to the governor, the speaker of the house of representatives and  
 34 the president of the senate on the contribution rate for the ~~two~~ ensuing  
 35 fiscal years YEAR.

36 ~~D. For the fiscal years ending June 30, 1995 through June 30, 1997 and~~  
 37 ~~commencing with fiscal year ending June 30, 1998 through June 30, 2013 the~~  
 38 ~~funding period used to determine the valuation of ASRS and employer~~  
 39 ~~contributions payable beginning July 1 of the following year or biennial~~  
 40 ~~period shall be determined by the ASRS actuary using the following schedule:~~

Valuation for the	Biennial period	Funding period ends
Fiscal year ending		
June 30, 1995		June 30, 2005
June 30, 1996		June 30, 2007

1	<del>June 30, 1997</del>		<del>June 30, 2009</del>
2	<del>June 30, 1998</del>	<del>July 1, 1999 to June 30, 2001</del>	<del>June 30, 2011</del>
3	<del>June 30, 2000</del>	<del>July 1, 2001 to June 30, 2003</del>	<del>June 30, 2015</del>
4	<del>June 30, 2002</del>	<del>July 1, 2003 to June 30, 2005</del>	<del>June 30, 2019</del>
5	<del>June 30, 2004</del>	<del>July 1, 2005 to June 30, 2007</del>	<del>June 30, 2023</del>
6	<del>June 30, 2006</del>	<del>July 1, 2007 to June 30, 2009</del>	<del>June 30, 2027</del>
7	<del>June 30, 2008</del>	<del>July 1, 2009 to June 30, 2011</del>	<del>June 30, 2031</del>
8	<del>June 30, 2010</del>	<del>July 1, 2011 to June 30, 2013</del>	<del>June 30, 2035</del>
9	<del>June 30, 2012</del>	<del>July 1, 2013 to June 30, 2015</del>	<del>June 30, 2039</del>

10 ~~E. If at any time between June 30, 1995 and June 30, 2013 ASRS becomes~~  
11 ~~underfunded, the funding period immediately and permanently reverts to the~~  
12 ~~period provided in subsection A of this section.~~

13 ~~F. For the purposes of this section "biennial period" means the two~~  
14 ~~year period beginning on July 1 of an odd-numbered year and ending on June 30~~  
15 ~~of the next odd-numbered year.~~

16 Sec. 6. Section 38-803, Arizona Revised Statutes, is amended to read:

17 38-803. Powers and duties of the fund manager

18 A. The fund manager, in the administration, management and operation  
19 of the plan and fund, shall:

20 1. Account for the operation, administration and investment expenses  
21 and allocate them against investment income.

22 2. Contract on a fee basis with an actuary to make an actuarial  
23 valuation of the plan based on the valuation method and valuation assumptions  
24 recommended by the actuary and approved by the fund manager. The actuary  
25 shall be a member of the American academy of actuaries.

26 3. Contract on a fee basis with an independent auditing firm to make  
27 an annual audit of the accounting records of the fund and file a copy of the  
28 audit with the auditor general.

29 4. Invest the monies in the fund as provided in section 38-848.

30 5. Within a period of six months after the close of each fiscal year,  
31 submit a detailed report of the operation and the investment performance of  
32 the plan to the governor, the legislature and the members of the plan.

33 6. By November 1 of each ~~even-numbered~~ year provide a preliminary  
34 report and by December 15 of each ~~even-numbered~~ year provide a final report  
35 to the governor, the speaker of the house of representatives and the  
36 president of the senate on the contribution rate for the ~~two~~ ensuing fiscal  
37 years YEAR.

38 B. The fund manager, in the administration, management and operation  
39 of the plan and fund, may:

40 1. Employ services as it deems necessary.

41 2. Either keep invested monies separate or commingle invested monies  
42 as it deems appropriate.

43 3. Delegate authority as it deems necessary and prudent to the  
44 administrator employed pursuant to section 38-848, subsection K, paragraph 6.

1           4. Do all acts, whether expressly authorized, which may be deemed  
2 necessary or proper for the protection of the fund.

3           Sec. 7. Section 38-848, Arizona Revised Statutes, is amended to read:

4           38-848. Fund manager

5           A. The fund manager shall consist of five members and shall have the  
6 rights, powers and duties that are set forth in this section. The term of  
7 office of members shall be three years to expire on the third Monday in  
8 January of the appropriate year. Members are eligible to receive  
9 compensation in an amount of fifty dollars a day, but not to exceed one  
10 thousand dollars in any one fiscal year, and are eligible for reimbursement  
11 of expenses pursuant to chapter 4, article 2 of this title. The fund manager  
12 consists of the following members appointed by the governor pursuant to  
13 section 38-211:

14           1. One elected member from a local board to represent the employees.

15           2. One member to represent the state as an employer of public safety  
16 personnel.

17           3. One member to represent the cities as employers of public safety  
18 personnel.

19           4. An elected county or state official or a judge of the superior  
20 court, court of appeals or supreme court.

21           5. One public member.

22           B. All monies in the fund shall be deposited and held in a public  
23 safety personnel retirement system depository. Monies in the fund shall be  
24 disbursed from the depository separate and apart from all monies or funds of  
25 the state and the agencies, instrumentalities and subdivisions thereof. The  
26 monies shall be secured by the depository in which they are deposited and  
27 held to the same extent and in the same manner as required by the general  
28 depository law of the state. The fund is subject to the sole management of  
29 the fund manager for the purpose of this article.

30           C. All contributions under this system shall be forwarded to the fund  
31 manager and shall be held, invested and reinvested by the fund manager. All  
32 property and funds of the fund, including income from investments and from  
33 all other sources, shall be retained for the exclusive benefit of members, as  
34 provided in the system, and shall be used to pay benefits to members or their  
35 beneficiaries or to pay expenses of operation and administration of the  
36 system and fund.

37           D. The fund manager shall have the full power in its sole discretion  
38 to invest and reinvest, alter and change the monies accumulated under the  
39 system. The fund manager may delegate the authority it deems necessary and  
40 prudent to the administrator, employed by the fund manager pursuant to  
41 subsection K, paragraph 6 of this section, to invest the monies of the system  
42 if the administrator follows the investment guidelines, statement of  
43 investment policy and fund objectives promulgated by the fund manager. The  
44 fund manager may commingle securities and monies of the fund subject to the

crediting of receipts and earnings and charging of payments to the account of the appropriate employer. In making every investment, the fund manager shall exercise the judgment and care under the circumstances then prevailing which men of ordinary prudence, discretion and intelligence exercise in the management of their own affairs, not in regard to speculation but in regard to the permanent disposition of their funds, considering the probable income from their funds as well as the probable safety of their capital, provided:

1. That not more than seventy per cent of the pension fund shall be invested at any given time in corporate stocks, based on cost value of such stocks irrespective of capital appreciation.

2. That no more than five per cent of the pension fund shall be invested in securities issued by any one institution, agency or corporation, other than securities issued as direct obligations of and fully guaranteed by the United States government.

3. That not more than five per cent of the voting stock of any one corporation shall be owned.

4. That corporate stocks eligible for purchase shall be restricted to stocks that, except for bank stocks and insurance stocks, are either:

(a) Listed or approved on issuance for listing on an exchange registered under the securities exchange act of 1934, as amended (15 United States Code sections 78a through 7811).

(b) Designated or approved on notice of issuance for designation on the national market system of a national securities association registered under the securities exchange act of 1934, as amended (15 United States Code sections 78a through 7811).

(c) Listed or approved on issuance for listing on an exchange registered under the laws of this state or any other state.

(d) Listed or approved on issuance for listing on an exchange of a foreign country with which the United States is maintaining diplomatic relations at the time of purchase, except that no more than ten per cent of the pension fund shall be invested in foreign equity securities on these exchanges, based on the cost value of the stocks irrespective of capital appreciation.

E. Notwithstanding any other law, the fund manager shall not be required to invest in any type of investment that is dictated or required by any entity of the federal government and that is intended to fund economic development projects, public works or social programs, but may consider such economically targeted investments pursuant to its fiduciary responsibility.

F. Conference call meetings of the fund manager of the public safety personnel retirement system which are held for investment purposes only are not subject to the provisions of chapter 3, article 3.1 of this title, except that the fund manager shall maintain minutes of these conference call meetings and make them available for public inspection within twenty-four hours after the meeting. The fund manager shall review the minutes of each



1 conference call meeting and shall ratify all legal actions taken during each  
2 conference call meeting at the next scheduled meeting of the fund manager.

3 G. The fund manager shall not be held liable for the exercise of more  
4 than ordinary care and prudence in the selection of investments and  
5 performance of its duties under the system and shall not be limited to  
6 so-called "legal investments for trustees", but all funds of the system shall  
7 be invested subject to all of the conditions, limitations and restrictions  
8 imposed by law.

9 H. Except as provided in subsection D of this section, the fund  
10 manager may:

11 1. Invest and reinvest the principal and income of the pension fund  
12 without distinction between principal and income.

13 2. Sell, exchange, convey, transfer or otherwise dispose of any  
14 investments of the fund held in the name of the system by private contract or  
15 at public auction.

16 3. Also:

17 (a) Vote upon any stocks, bonds or other securities.

18 (b) Give general or special proxies or powers of attorney with or  
19 without power of substitution.

20 (c) Exercise any conversion privileges, subscription rights or other  
21 options and make any payments incidental to the exercise of the conversion  
22 privileges, subscription rights or other options.

23 (d) Consent to or otherwise participate in corporate reorganizations or  
24 other changes affecting corporate securities, delegate discretionary powers  
25 and pay any assessments or charges in connection therewith.

26 (e) Generally exercise any of the powers of an owner with respect to  
27 stocks, bonds, securities or other investments held in the fund.

28 4. Make, execute, acknowledge and deliver any other instruments that  
29 may be necessary or appropriate to carry out the powers granted in this  
30 section.

31 5. Register any investment held in the fund in the name of the fund or  
32 in the name of a nominee.

33 6. At the expense of the system, enter into an agreement with any bank  
34 or banks for the safekeeping and handling of securities and other investments  
35 coming into the possession of the fund manager. The agreement shall be  
36 entered into under terms and conditions that secure the proper safeguarding,  
37 inventory, withdrawal and handling of the securities and other investments.  
38 No access to and no deposit or withdrawal of the securities from any place of  
39 deposit, selected by the fund manager shall be permitted or made except as the  
40 terms of the agreement may provide.

41 7. Appear before local boards and the courts of this state and  
42 political subdivisions of this state through counsel or appointed  
43 representative to protect the fund. The fund manager is not responsible for  
44 the actions or omissions of the local boards under this system but may seek

1 review or rehearing of actions or omissions of local boards. The fund  
2 manager does not have a duty to review actions of the local boards but may do  
3 so in its discretion in order to protect the fund.

4 8. Empower the fund administrator to take actions on behalf of the  
5 fund manager that are necessary for the protection and administration of the  
6 fund in accordance with the guidelines of the fund manager.

7 9. Do all acts, whether or not expressly authorized that may be deemed  
8 necessary or proper for the protection of the investments held in the fund.

9 1. Investment expenses and operation and administrative expenses of  
10 the fund manager shall be accounted for separately and allocated against  
11 investment income.

12 J. The fund manager, as soon as possible within a period of six months  
13 following the close of any fiscal year, shall transmit to the governor and  
14 the legislature an annual statement on the operation of the system  
15 containing, among other things:

16 1. A balance sheet.

17 2. A statement of income and expenditures for the year.

18 3. A report on an actuarial valuation of its assets and liabilities.

19 4. A detailed statement of the investments acquired and disposed of  
20 during the year.

21 5. A list of investments owned.

22 6. The total rate of return, yield on cost, and per cent of cost to  
23 market value of the fund.

24 7. Any other statistical and financial data that may be necessary for  
25 the proper understanding of the financial condition of the system and the  
26 results of its operations. A synopsis of the annual report shall be  
27 published for the information of members of the system.

28 K. The fund manager shall:

29 1. Maintain the accounts of the system and issue statements to each  
30 employer annually and to each member who may request it.

31 2. Report the results of the actuarial valuations to the local boards  
32 and employers.

33 3. Contract on a fee basis with an independent investment counsel to  
34 advise the fund manager in the investment management of the fund and with an  
35 independent auditing firm to audit the fund manager's accounting.

36 4. Permit the auditor general to make an annual audit and the results  
37 shall be transmitted to the governor and the legislature.

38 5. Contract on a fee basis with an actuary who shall make actuarial  
39 valuations of the system, be the technical adviser of the fund manager on  
40 matters regarding the operation of the funds created by the provisions of the  
41 system and perform other duties required in connection therewith. The  
42 actuary must be a member of a nationally recognized association or society of  
43 actuaries.

1           6. Employ, as administrator, a person, state department or other body  
2 to serve at the pleasure of the fund manager.

3           7. Establish procedures and guidelines for contracts with actuaries,  
4 auditors, investment counsel, legal counsel and for safeguarding of  
5 securities.

6           L. The administrator, under the direction of the fund manager, shall:

7           1. Administer the provisions of this article.

8           2. Invest the funds of the system as the fund manager deems necessary  
9 and prudent as provided in subsections D and H of this section and subject to  
10 the investment guidelines, statement of investment policy and fund objectives  
11 promulgated by the fund manager.

12           3. Establish and maintain an adequate system of accounts and records  
13 for the system which shall be integrated with the accounts, records and  
14 procedures of the employers so that the system operates most effectively and  
15 at minimum expense and that duplication of records and accounts is avoided.

16           4. In accordance with personnel rules and procedures and the budget  
17 adopted by the fund manager, hire such employees and services the  
18 administrator deems necessary and prescribe their duties.

19           5. Be responsible for income, the collection of the income and the  
20 accuracy of all expenditures.

21           6. Recommend to the fund manager annual contracts for the system's  
22 actuary, auditor, investment counsel, legal counsel and safeguarding of  
23 securities.

24           7. Perform additional duties and powers prescribed by the fund manager  
25 and delegated to the administrator.

26           M. The fund manager, the administrator and all persons employed by  
27 them are not under the jurisdiction of the department of administration or  
28 subject to section 38-611 or title 41, chapter 4, articles 5 and 6. The  
29 salaries of the administrator and other employees of the fund manager are the  
30 sole determination of the fund manager. Contracts for goods and services  
31 approved by the fund manager are not subject to title 41, chapter 23.

32           N. The attorney general or an attorney approved by the attorney  
33 general and paid by the fund shall be the attorney for the fund manager and  
34 shall represent the fund manager in any legal proceeding.

35           O. At least once in each five-year period after the effective date,  
36 the actuary shall make an actuarial investigation into the mortality, service  
37 and compensation experience of the members and beneficiaries of the system  
38 and shall make a special valuation of the assets and liabilities of the funds  
39 of the system. Taking into account the results of the investigation and  
40 special valuation, the fund manager shall adopt for the system such  
41 mortality, service and other tables deemed necessary.

42           P. On the basis of the tables the fund manager adopts, the actuary  
43 shall make a valuation of the assets and liabilities of the funds of the  
44 system not less frequently than every other year. By November 1 of each

1 ~~even-numbered~~ year the fund manager shall provide a preliminary report and by  
2 December 15 of each ~~even-numbered~~ year provide a final report to the  
3 governor, the speaker of the house of representatives and the president of  
4 the senate on the contribution rate for the ~~two~~ ensuing fiscal years YEAR.

5 Q. Neither the fund manager nor any member or employee of the fund  
6 manager shall directly or indirectly, for himself or as an agent, in any  
7 manner use the monies or deposits of the fund except to make current and  
8 necessary payments, nor shall the fund manager or any member or employee  
9 become an endorser or surety or in any manner an obligor for monies loaned by  
10 or borrowed from the fund.

11 Sec. 8. Section 38-883, Arizona Revised Statutes, is amended to read:

12 38-883. Fund manager; powers and duties

13 A. The fund manager shall:

14 1. Maintain records of the operation and administration of the plan  
15 and fund.

16 2. Contract on a fee basis for an independent annual audit of the  
17 accounting records of the plan and fund and file a copy of the audit report  
18 with the auditor general.

19 3. Employ on a fee basis an independent firm of actuaries to perform  
20 annual actuarial valuations for each participating employer of the plan and  
21 fund based on an actuarial cost method and actuarial assumptions recommended  
22 by the actuary and adopted by the fund manager. The actuarial valuations  
23 shall be performed by or under the direct supervision of an actuary who is a  
24 member of the American academy of actuaries. By November 1 of each  
25 ~~even-numbered~~ year the fund manager shall provide a preliminary report and by  
26 December 15 of each ~~even-numbered~~ year provide a final report to the  
27 governor, the speaker of the house of representatives and the president of  
28 the senate on the contribution rate for the ~~two~~ ensuing fiscal years YEAR.

29 4. Invest and reinvest the monies and assets of the fund in accordance  
30 with the investment provisions of the public safety personnel retirement  
31 system. The fund manager may commingle securities and monies of the fund  
32 subject to the crediting of receipts and earnings and charging of payments to  
33 the account of the appropriate employer.

34 5. Submit a detailed annual report of the operation and investment  
35 performance of the plan and fund to the governor, the legislature and the  
36 members of the plan. The fund manager shall submit the annual report no  
37 later than six months after the end of the fiscal year to which it pertains.

38 B. The fund manager may:

39 1. Employ services it deems necessary, including legal services, for  
40 the operation and administration of the plan and fund.

41 2. Utilize separate or commingled investment vehicles.

42 3. Delegate authority to the administrator employed pursuant to  
43 section 38-848, subsection K, paragraph 6.

1           4. Appear before local boards and the courts and political  
2 subdivisions of this state through counsel or appointed representatives to  
3 protect the fund. The fund manager is not responsible for the actions or  
4 omissions of the local boards under this plan but may seek review or a  
5 rehearing of actions or omissions of local boards. The fund manager does not  
6 have a duty to review actions of the local boards but may do so, in its  
7 discretion, in order to protect the fund.

8           5. Perform all acts, whether or not expressly authorized, which it  
9 deems necessary and proper for the protection of the plan and fund.

10          Sec. 9. Section 41-723, Arizona Revised Statutes, is amended to read:

11          41-723. Governor's office of strategic planning and budgeting;  
12                 duties

13          A. ~~The director shall designate a person to be in charge of~~  
14 ~~preparation of the executive budget as the federal state fiscal research~~  
15 ~~officer.~~

16          B. ~~The director or the federal state fiscal research officer~~ OF THE  
17 GOVERNOR'S OFFICE OF STRATEGIC PLANNING AND BUDGETING shall:

18           1. Confer with officials of federal agencies concerning grants-in-aid  
19 generally, and particularly in regard to federal-aid programs in progress in  
20 the THIS state of ~~Arizona~~.

21           2. Report to the legislature at each regular session findings and  
22 recommendations in the following areas:

23           (a) The total amount of federal grants-in-aid received by Arizona  
24 agencies OF THIS STATE during the preceding fiscal year.

25           (b) The total amount of federal grants-in-aid available to Arizona  
26 agencies OF THIS STATE during the preceding fiscal year, giving reasons for  
27 any difference between the amount of funds MONIES available to and the amount  
28 of funds MONIES accepted by Arizona agencies OF THIS STATE in all federal  
29 grant-in-aid programs.

30           (c) The adequacy of grant-in-aid programs in progress in the THIS  
31 state of ~~Arizona~~.

32          Sec. 10. Section 41-1292.03, Arizona Revised Statutes, is amended to  
33 read:

34          41-1292.03. Joint legislative review committee on  
35 transportation between Sonora, Mexico and Arizona

36          A. The joint legislative review committee on transportation between  
37 Sonora, Mexico and Arizona is established. The committee consists of:

38           1. Two members of the senate who are appointed by the president of the  
39 senate, one from each political party.

40           2. Two members of the house of representatives who are appointed by  
41 the speaker of the house of representatives, one from each political party.

42           3. The chairperson of the committee in the house of representatives  
43 that considers transportation issues who serves as cochairperson.

1           4. The chairperson of the committee in the senate that considers  
2 transportation issues who serves as cochairperson.

3           5. The director of the department of commerce or the director's  
4 designee.

5           6. The director of the department of public safety or the director's  
6 designee.

7           7. One member who represents the department of transportation, who has  
8 expertise in transportation and who is appointed by the director of the  
9 department of transportation.

10          8. One member who represents the motor vehicle division of the  
11 department of transportation, who has expertise in transportation and who is  
12 appointed by the assistant director of the motor vehicle division of the  
13 department of transportation.

14          9. Three members of the public, one of whom has expertise in  
15 transportation, who are appointed by the governor.

16          10. One member who represents a federally recognized Arizona Indian  
17 tribe with a reservation located within or adjacent to the CANAMEX high  
18 priority corridor as defined in section 332 of the national highway system  
19 designation act of 1995 (P.L. 104-59; 109 Stat. 596-597), who has expertise  
20 in transportation and who is appointed by the governor.

21          11. ONE MEMBER WHO REPRESENTS THE ARIZONA OFFICE OF HOMELAND SECURITY.

22          B. The committee shall:

23           1. Coordinate efforts of the committee as reasonably practicable with  
24 a like committee established by Sonora, Mexico.

25           2. Study issues and problems concerning transportation between Sonora,  
26 Mexico and this state, including the following:

27           (a) The need to modify and improve border crossing procedures and  
28 facilities.

29           (b) The advantages and disadvantages of issuing temporary travel  
30 permits to Mexican commercial vehicles entering this state.

31           (c) The commercial impact of a deep sea port in Guaymas, Mexico.

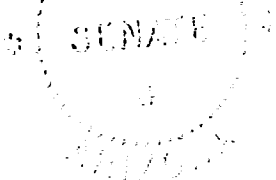
32           (d) The potential impact of transporting hazardous materials between  
33 Sonora, Mexico and this state.

34           (e) The current and any anticipated changes in the type and volume of  
35 traffic on highways that carry commercial vehicles to the border between  
36 Sonora, Mexico and this state.

37           (f) Environmental and safety problems caused by the type and  
38 volume of traffic on highways that carry commercial vehicles to the border  
39 between Sonora, Mexico and this state.

40           (g) Potential financing of any highway construction or planning, or  
41 both, that may be recommended by the committee.

42           (h) The impact of foreign commercial vehicles on the transportation  
43 infrastructure of this state.



(i) The balance between revenues collected at ports of entry on the border between Sonora, Mexico and this state and the costs associated with maintaining the transportation infrastructure within twenty-five miles of the border between Sonora, Mexico and this state.

3. Annually make recommendations to the legislature regarding appropriations made pursuant to section 28-6547.

4. Make recommendations to the legislature that will help alleviate the current environmental, transportation infrastructure and safety problems caused by the type and volume of traffic on highways that carry commercial vehicles to the border between Sonora, Mexico and this state and transportation problems experienced by businesses located on both sides of the border between Sonora, Mexico and this state, that will improve road, air and rail transportation between Sonora, Mexico and this state and regarding highway construction and planning of highways that carry commercial vehicles to the border between Sonora, Mexico and this state.

5. Submit a report with its recommendations on or before December 1 of each year to the president of the senate, the speaker of the house of representatives, the governor, the chairman of the state transportation board and the committee established by Sonora, Mexico.

C. The members of the committee who are appointed pursuant to subsection A, paragraphs 9 and 10 serve two year terms.

D. The members of the committee are not eligible to receive compensation, but the members who are appointed pursuant to subsection A, paragraphs 9 and 10 are eligible to receive reimbursement for expenses pursuant to title 38, chapter 4, article 2.

E. An Arizona-Mexico commission in the governor's office shall facilitate the meetings of the committee. The committee shall use the services of the Arizona-Mexico commission, legislative staff and the staff of the department of transportation.

Sec. 11. Laws 2001, chapter 236, section 89, as amended by Laws 2002, chapter 327, section 103, is amended to read:

Sec. 89. STATE RETIREMENT SYSTEM

	<u>2001-02</u>	<u>2002-03</u>
FTE positions	168.0	168.0
Lump sum appropriation	\$ 14,536,400	\$ 14,475,100
Information technology plan	<u>9,000,000</u>	<u>9,000,000</u>
Total appropriation - state retirement system	\$ 23,536,400	\$ 23,475,100
Fund sources:		
State retirement system		
administration account	\$ 21,249,700	\$ 21,051,200

1	Long-term disability		
2	administration account	2,286,700	2,423,900
3	Performance measures:		
4	Per cent of members satisfied with ASRS		
5	telephone services	85	85
6	Per cent of members satisfied with the		
7	service purchase process	85	85
8	Per cent of investment returns	8.0	8.0
9	Per cent of liability funded	100	100
10	Per cent of benefit payment calculations		
11	that are accurate as measured by quality		
12	control sample	96	96
13	Before the expenditure of the \$18,000,000 biennial appropriation and		
14	the hiring of FTE positions appropriated for the agency's information		
15	technology plan, the retirement system shall present an expenditure plan to		
16	the joint legislative budget committee staff for review. The retirement		
17	system shall include the approval of the project investment justification		
18	document by the information technology authorization committee as part of its		
19	submission to the joint legislative budget committee staff. On review, the		
20	agency shall provide semi-annual reports to the joint legislative budget		
21	committee staff regarding the expenditures and project tasks completed to		
22	date. Funding appropriated for this purpose is exempt from the provisions of		
23	section 35-190, Arizona Revised Statutes, relating to lapsing of		
24	appropriations through June 30, 2005 2006. Actual divestiture of monies from		
25	the retirement fund for expenditure shall occur following the joint		
26	legislative budget committee staff review of the agency's information		
27	technology plan.		
28	Sec. 12. Laws 2003, chapter 262, section 88 is amended to read:		
29	Sec. 88. STATE RETIREMENT SYSTEM		
30		<u>2003-04</u>	<u>2004-05</u>
31	FTE positions	197.0	197.0
32	Operating lump sum appropriation	\$ 13,916,100	\$ 14,197,100
33	Information technology plan	<u>8,994,200</u>	<u>8,994,300</u>
34	Total appropriation - state retirement system	\$ 22,910,300	\$ 23,191,400
35	Fund sources:		
36	State retirement system		
37	administration account	\$ 20,293,500	\$ 20,293,700
38	Long-term disability		
39	administration account	2,616,800	2,897,700
40	Performance measures:		
41	Per cent of members satisfied with ASRS		
42	telephone services	87	87
43	Per cent of members satisfied with the		
44	service purchase process	82	82



1	Per cent of investment returns	8.0	8.0
2	Per cent of liability funded	100	100
3	Per cent of benefit payment calculations		
4	that are accurate as measured by quality		
5	control sample	96	96

6 Before the expenditure of the appropriation of \$8,994,200 in fiscal  
7 year 2003-2004 and \$8,994,300 in fiscal year 2004-2005 and the hiring of FTE  
8 positions appropriated for the agency's information technology plan, the  
9 retirement system shall present an expenditure plan in each year to the joint  
10 legislative budget committee staff for review. The retirement system shall  
11 include the approval of the project investment justification document by the  
12 information technology authorization committee as part of its submission to  
13 the joint legislative budget committee staff. The agency shall provide  
14 semi-annual reports to the joint legislative budget committee staff regarding  
15 the expenditures and project tasks completed to date. Funding appropriated  
16 for this purpose is exempt from the provisions of section 35-190, Arizona  
17 Revised Statutes, relating to lapsing of appropriations through June 30, 2005  
18 2006. Actual divestiture of monies from the retirement fund for expenditure  
19 shall occur following the joint legislative budget committee staff review of  
20 the agency's information technology plan.

21 Sec. 13. Program budgeting conversion; delay

22 Notwithstanding section 35-113, Arizona Revised Statutes, the  
23 conversion of budgeting structures to program budgeting structures for the  
24 following budgets shall be delayed to fiscal year 2006-2007:

- 25 1. Arizona health care cost containment system.
- 26 2. Department of economic security.
- 27 3. Department of health services.
- 28 4. Arizona department of housing.
- 29 5. Arizona board of regents.
- 30 6. Arizona state university - main campus.
- 31 7. Arizona state university - east campus.
- 32 8. Arizona state university - west campus.
- 33 9. Northern Arizona university.
- 34 10. University of Arizona - main campus.
- 35 11. University of Arizona - health sciences center.

36 Sec. 14. State department of corrections; expenditure reporting

37 Notwithstanding any other law, the state department of corrections  
38 shall report actual fiscal year 2004-2005, estimated fiscal year 2005-2006  
39 and requested fiscal year 2006-2007 expenditures by prison complex, community  
40 corrections, private prisons and central administration when the department  
41 submits the fiscal year 2006-2007 budget request pursuant to section 35-113,  
42 Arizona Revised Statutes.

1       Sec. 15. ASRS; employer contributions

2       A. Notwithstanding any other law, for fiscal years 2005-2006 and  
3 2006-2007, the employer contribution rate for this biennial period shall be a  
4 percentage as determined by the ASRS actuary pursuant to this section. The  
5 employer contribution rate for the biennial period, when applied to the  
6 compensation of all active members, shall equal the employer normal cost plus  
7 the amount required to amortize the past service funding requirement over a  
8 rolling thirty-year period. The employer contribution rate for the biennial  
9 period shall not be less than four per cent.

10       B. The ASRS actuary shall determine the employer contribution rate for  
11 the biennial period as follows:

12       1. The ASRS actuary shall use the valuation of the defined benefit  
13 plan of ASRS performed as of June 30, 2004.

14       2. The actuarial cost method shall be the projected unit credit  
15 method.

16       C. The ASRS actuary shall determine the employer contribution rate for  
17 each year of the biennial period as follows:

18       1. The employer contribution rate for each year of the biennial period  
19 shall be determined so that the average of the employer contribution rate for  
20 the first year and the second year of the biennial period shall be equal to  
21 the employer contribution rate for that biennial period.

22       2. The difference between the employer contribution rate for the first  
23 year and the second year of the biennial period shall be equal to the  
24 difference between the employer contribution rate for the second year of the  
25 preceding biennial period and the employer contribution rate for the first  
26 year of that biennial period.

27       3. In consideration of the best interest of ASRS members and  
28 beneficiaries, ASRS may adjust the contribution rate for the second year of  
29 the biennial period based on the actuarial valuation as of June 30  
30 immediately preceding the first year of the biennial period.

31       D. The amount of employer contributions for a fiscal year shall be  
32 equal to the product of the employer contribution rate for that fiscal year  
33 and the compensation during that fiscal year of all active members.

34       Sec. 16. Phase-in of nonappropriated monies report

35       The governor's office of strategic planning and budgeting and the  
36 department of administration shall phase-in the nonappropriated monies report  
37 required by section 35-123, Arizona Revised Statutes, as added by this act,  
38 and section 35-131, Arizona Revised Statutes, as amended by this act. The  
39 preliminary report shall be submitted by June 1, 2006 for the department of  
40 administration and by August 1, 2006 for the governor's office of strategic  
41 planning and budgeting. The preliminary report shall provide partial year  
42 information for five pilot agencies, as determined in consultation with the  
43 staff of the joint legislative budget committee. A final report with full  
44 year data for the five pilot agencies shall be submitted by December 1, 2006

1 for the department of administration and by February 1, 2007 for the  
2 governor's office of strategic planning and budgeting.

3 Sec. 17. Study; federal monies clearinghouse; report

4 The governor's office of strategic planning and budgeting shall:

5 1. Study the need to establish a central clearinghouse to track all  
6 federal monies coming into this state, all federal monies being expended by  
7 this state and all possible sources of federal monies available, or that can  
8 be made available, to this state.

9 2. Make recommendations on the structure of the clearinghouse, its  
10 resource needs and the objectives of the clearinghouse.

11 3. Provide a progress report to the joint legislative budget committee  
12 on or before September 1, 2005.

13 4. Report its findings and recommendations to the governor, the  
14 president of the senate and the speaker of the house of representatives on or  
15 before December 1, 2005.

16 Sec. 18. Retroactivity

17 A. Sections 38-803, 38-848 and 38-883, Arizona Revised Statutes, as  
18 amended by this act, apply retroactively to from and after June 30, 2005.

19 B. Laws 2001, chapter 236, section 89, as amended by Laws 2002,  
20 chapter 327, section 103 and this act, applies retroactively to from and  
21 after June 30, 2005.

22 C. Laws 2003, chapter 262, section 88, as amended by this act, applies  
23 retroactively to from and after June 30, 2005.

24 D. Section 15 of this act, relating to ASRS employer contributions, is  
25 effective retroactively to from and after June 30, 2005.

26 Sec. 19. Effective date

27 Section 38-737, Arizona Revised Statutes, as amended by this act, is  
28 effective from and after June 30, 2007.

APPROVED BY THE GOVERNOR MAY 20, 2005.

FILED IN THE OFFICE OF THE SECRETARY OF STATE MAY 20, 2005.

Passed the House May 6, 20 05,

by the following vote: 37 Ayes,

20 Nays, 3 Not Voting



Speaker of the House

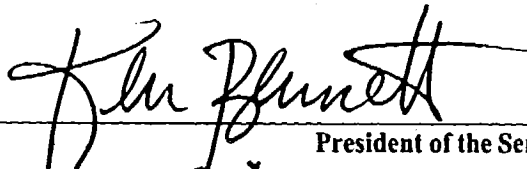


Chief Clerk of the House

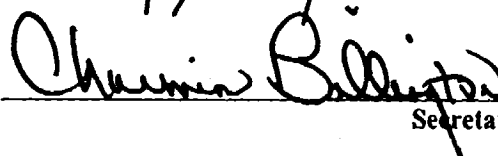
Passed the Senate May 6, 20 05,

by the following vote: 29 Ayes,

0 Nays, 1 Not Voting



President of the Senate



Secretary of the Senate

EXECUTIVE DEPARTMENT OF ARIZONA  
OFFICE OF GOVERNOR

This Bill was received by the Governor this

13th day of May, 20 05

at 8:38 o'clock A. M.

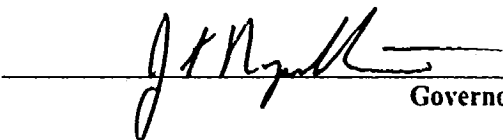


Secretary to the Governor

Approved this 20 day of

May, 20 05,

at 9:50 o'clock A. M.



Governor of Arizona

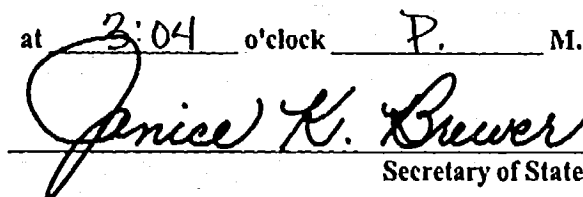
S.B. 1521

EXECUTIVE DEPARTMENT OF ARIZONA  
OFFICE OF SECRETARY OF STATE

This Bill was received by the Secretary of State

this 20 day of May, 20 05

at 3:04 o'clock P. M.



Secretary of State